

In April 2020, the US government launched a novel program with the objective of mitigating the economic impact of the Coronavirus pandemic. The Paycheck Protection Program (PPP) provides much-needed funding to small businesses (defined as those with 1 to 500 employees) through a forgivable loan mechanism. While the PPP can have great impact on early learning providers, it can also be confusing and difficult to navigate. **As of January 11, 2021, the Paycheck Protection Program has reopened.** Below please find answers to several common questions about the PPP.

PPP Application Process:

I heard that this round of PPP loans is different. Is that true?

Yes. In this round of funding, loans will be available to new applicants (first draw) as well as previous loan recipients (second draw). Small businesses with 300 employees or less who have experienced a minimum of a 25% decrease in revenue between comparable 2019 and 2020 quarters are eligible to apply. The covered period for loan forgiveness can still be between 8-24 weeks but additional expenses are now eligible for forgiveness. You can learn more details about the changes from resources available on Home Grown's website: <https://homegrownchildcare.org/ppp-resources/>

When can I apply?

The Paycheck Protection Program opened for first draw PPP loans on January 11, 2021 and for second draw PPP loans on January 13, 2021. Recently, the application deadline was extended through May 31, 2021 with lenders continuing to process submitted applications for 4 weeks beyond this date.

Who can apply for a second PPP loan?

Second draw PPP applicants must have already used the full amount of their first PPP loan or have plans to use the full amount on eligible expenses. Loan recipients must have 300 or fewer employees, experienced a minimum of a 25% drop in between comparable quarters in 2019 and 2020, and received a previous loan for less than \$2 million.

How many lenders can I submit applications to?

As banks periodically experience congestion in their application processing, we recommend submitting applications with multiple lenders, although ultimately you can only accept one loan offer.

Do these loans require repayment?

The PPP is a forgivable loan. That means that the funds come in the form of a loan. There will be a forgiveness period during which you can use the funds for forgivable expenses. Expenses for payroll (60% or more of your loan) and some utilities, mortgage interest, rent, operations costs, property damage, supplier costs, and worker protection expenses (up to 40% of your loan) can be forgiven off the

loan. That means it goes away and you get to keep that portion of the money. Any remaining funds will still be owed at 1% interest but you can pay back that loan any time without penalty.

I am the only employee of the company, can I apply for the PPP?

Yes, it is open to sole proprietors and self-employed who are the only employee of the company.

I heard about a change for child care providers applying with no employees. How does this work?

Recently, a change was made to the PPP application calculations for self-employed individuals with no employees. The change allows providers to apply using their gross income from line 7 of their Schedule C in place of their net profit from line 31 of their Schedule C. This will likely result in an increase in the potential loan amount for most providers.

Do I have to use 2020 documents for the application? What if I only have a 2019 tax return?

You need to use 2020 documents for the application. If you haven't already submitted your 2020 tax return, make sure the information you use on your application will align with your return when submitted.

I have a 1099 contractor, can I use her payroll in my application?

No. You can only report employees who receive a W-2. However, the contractor receiving a 1099 can apply for a PPP themselves.

I pay my employee in cash. Can I use her payroll in my application?

No. You can only report employees who receive a W-2.

I received an Economic Injury Disaster (EIDL) Loan from the SBA. Can I also apply for a PPP?

Yes, you can. There will be a point in the application process where you will need to indicate you received an EIDL Loan and report the amounts.

How much money will the PPP give me?

The PPP Loan amount is calculated using your income and expenses. You can find our Stimulus Navigator which will walk you through this process at <https://homegrownchildcare.org/ppp-resources/>.

My business is brand new. Can I still apply?

If you had any revenue before February 15, 2020, you can apply. You will want to calculate your loan amount using the payroll or net profit from when you first started.

I still have not heard back from my bank about whether or not my loan was approved. What can I do?

The best way to check on your loan status is to contact the bank or banks that you applied to directly.

My loan was not approved. Is there any opportunity to appeal this decision?

Unfortunately, there is no opportunity to appeal a loan denial at this time. Should the SBA choose to make any changes to this policy, these changes will be reflected on our website.

Use of PPP Funds:

What expenses can I pay using PPP funds?

PPP funds may be used to pay the following expenses:

- Payroll Expenses
 - Wages and salary (for you or W2 employees)
 - State payroll taxes
 - Paid time off
 - Group health insurance premiums
 - Group retirement plan premiums
- Non-payroll Expenses (ONLY IF you typically deduct these in the course of your business)
 - Rent
 - Utilities
 - Mortgage interest
 - Transportation (fuel calculated using IRS mileage rate of \$0.575 per mile)
- Full or partial loan forgiveness is now available for these additional expenses:
 - Operations costs
 - Property Damage
 - Supplier Costs
 - Worker Protection

Is there a limit on the amount of non-payroll expenses I can pay using PPP funds?

Yes. A maximum of 40% of the forgiveness portion of your PPP loan may be used for non-payroll expenses.

What are some examples of expenses that I CANNOT use PPP funds to pay?

PPP funds may NOT be used to pay:

- 1099 contractors or cash-only employees
- Mortgage principal
- Credit card debt
- Rent, utilities and mortgage *if you don't normally deduct these expenses*

Does the cost of supplemental dental or health insurance get included in my payroll costs?

If provided through your business, yes, the cost of supplemental dental or health insurance is included but only the employer costs.

Are hazard pay or employee bonuses included as forgivable costs?

As long as they do not exceed the annualized \$100,000 compensation limitation per person, bonuses or hazard pay can be eligible for forgiveness because they constitute a supplement to salary or wages.

Can I collect unemployment and PPP payment at the same time?

No. You can't collect unemployment and PPP payment at the same time. If you received unemployment at one point, you can still use the PPP as long as you are not being paid by both PPP funds and unemployment at the same time. Similarly, if you are collecting unemployment now, you can use PPP funds to reopen as long as you stop receiving unemployment.

How long do I have to spend my PPP funds?

PPP funds may be spent over a period from 8-24 weeks from the date you received the funds into your bank account.

PPP Forgiveness Process:**When does my forgiveness period start?**

Your forgiveness period begins on the day you receive the funds into your bank account. You can choose an 8- to 24-week forgiveness period.

Why is the PPP forgiveness process important?

Forgiveness essentially converts your PPP loan to a grant, meaning the debt is removed and you get to keep the funds.

What happens if my entire PPP loan is not forgiven?

Any amounts not forgiven are converted to a loan that must be repaid, at a 1% interest rate.

Is it difficult to get my PPP loan forgiven?

While there are no guarantees, new rules have made the possibility of achieving 100% forgiveness easier. Following the guidelines and advice set forth in the handbook may greatly increase your chances of having your entire loan forgiven.

I have not rehired all of my employees. Will this affect my forgiveness amount?

You may qualify for Safe Harbor if your operations were closed fully or in part or you have experienced a reduced level of services allowed due to COVID-19 restrictions.

I received an EIDL after I applied for my PPP loan. Will this affect my PPP loan forgiveness?

Yes. The EIDL “grant” (the \$1,000 to \$10,000 you are granted that is not a loan) is deducted from the forgivable amount of your PPP loan. For example, if you received a PPP loan for \$20,000, your maximum forgivable amount would be \$20,000. If, however, you later received an EIDL for \$5,000, this amount is deducted from your PPP leaving you with a maximum of \$15,000 that can be forgiven from your PPP loan. The remaining \$5,000 of your PPP loan funds that you have already received would need to be returned or paid back at a 1% interest rate.

I heard that there was new information from the SBA about the forgiveness process. Is this true?

Yes, the SBA recently released new guidance about the PPP loan forgiveness process. Recipients of loans \$150,000 and under are now able to apply for forgiveness using a simplified form, 3508 S, that will save a tremendous amount of time and make it easier for many to apply.

What information do I need to apply for forgiveness?

This will depend on the amount of your loan as recipients of loans \$150,000 and under will be eligible to use the simplified 3508 S form to apply for loan forgiveness. While the form does not require any calculations or documentation to apply, we recommend keeping record of your spending as the SBA can request documentation at a later date. For loans above \$150,000, you will need several pieces of key information to fill out your forgiveness application including your original PPP application, your loan closing documents, your 2020 taxes for your organization or your Schedule C for self-employed or sole proprietors, checks or banks statements showing your own payroll if you are NOT a W-2 employee, payroll records, and proof of various payments.

Where do I go to apply for forgiveness?

Forgiveness applications will be handled through the bank from which you obtained your loan.

My loan was sold to another bank. Do I apply for forgiveness with my original bank or the bank who took over my loan?

Like a mortgage, debt sometimes gets sold. In this case, you will apply for forgiveness with the bank who purchased and took over your loan.

Do I have to wait for the 24 weeks to expire before applying for forgiveness?

No. You may apply for forgiveness at any time after you have spent your PPP funds and your bank begins accepting applications. To maximize the chances of full forgiveness, it is recommended that you wait until you have spent 125% of your PPP funds to apply for forgiveness.

What types of records will I need to keep?

Records you should keep include (where applicable):

- Bank statements
- Canceled checks

- Third party payroll reports
- Payroll tax filings (IRS Form 941 and state payroll forms)
- Accounts statements from group health insurance and retirement plans
- Copy of lease
- Utility invoices

What other types of information should I be prepared to provide?

Providers should also be prepared to address whether employee salaries have been reduced by more than 25%.

What happens if I can't get my whole staff to return because some refuse to come back?

Providers will not be penalized based on staff members who refuse to return. You should extend the job offer to staff members in writing and document those that refuse to return.

I have heard there are 3 different forgiveness forms. Is this true?

Yes. The SBA released a simplified form, 3508 S, for recipients of loans \$150,000 and less. For loans greater than \$150,000, you will use 1 of 2 forms in order to apply for forgiveness – either Form 3508EZ (short and simple) for businesses affected by closures or Form 3508 (slightly more complicated) for businesses not affected by closures or cut employee salaries by 25% or more.

Does the size of my PPP loan determine the form I use to apply for forgiveness?

No. Several factors will help determine which form is appropriate for your business. A helpful flow chart with questions is included in your handbook to guide you.

Once I apply for forgiveness, when will I find out if my loan has been forgiven?

The most recent guidance from the SBA indicates that they expect to communicate decisions within 90 days of receipt of the forgiveness application.

Are you offering assistance in Spanish?

Yes. Spanish resources can be found on our website, <https://homegrownchildcare.org/ppp-resources/>. Email support is provided in Spanish as well at PPP@civstrat.com.